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INFO SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0001

UNCLAS SECTION 01 OF 02 LUANDA 000084

SENSITIVE
SIPDIS
DEPARTMENT FOR AF/RSA LOUIS MAZEL, LAURA GRIESMER, AND RYAN BOWLES

E.O. 12958: N/A

TAGS: PREL EAID ECON PGOV AO CH
SUBJECT: REQUEST FOR INFORMATION ON CHINESE ENGAGEMENT IN ANGOLA AND
POTENTIAL AREAS FOR COOPERATION

REF: SECSTATE 10152; 08 LUANDA 536

¶1. (SBU) The following responses are keyed to Department
queries (reftel):

A: Description of Chinese engagement in Angola: The Chinese are heavily engaged in financing and implementing Angola's reconstruction following the end of the nation's devastating civil war in 2002. In the absence of a much anticipated (by the Angolans) conference of Western donors to help fund reconstruction, Angola turned to the Chinese. Chinese financing includes a (mostly oil-backed) USD 4 billion line of credit through the Chinese Ex-Im Bank. Although the terms of this line of credit are not entirely clear, it seemingly provides concessionary interest rates and some grace period for repayment. According to unconfirmed reports, an additional line of credit of up to USD 4 to 6 billion has been established through the Chinese Investment Fund (CIF), though Post doubts that this fund, which was to have been funded by Chinese investors, ever attracted enough Chinese capital to undertake intended infrastructure projects in Angola. At the moment, the CIF is partnering with state oil company Sonangol in extractive industry ventures in Africa outside of Angola.

The Chinese Ex-Im Bank line of credit is linked to the use of Chinese companies as prime contractors for Chinese-funded projects. Many sub-contractors for these projects are Chinese companies as well. Some of these companies have stayed in Angola after project completion and are branching out into other areas, such as import/export transactions and private housing. The feverish pace of Chinese engagement in Angola cooled markedly in 2009 as the global financial crisis gutted Angola's oil and diamond revenues, precipitating sharp reductions in GRA expenditures. According to the Chinese Ambassador in Luanda, China had to recall more than 25,000 workers in 2009 due to the lack of GRA funds to pay them. Few new projects were launched in 2009, though most of those previously underway continued, albeit often at a reduced pace. However, those linked to preparations for the January 2010 Africa Cup of Nations Football (soccer) Championship, which Angola hosted by building four new stadiums, continued full-steam.

Recently concluded and currently underway infrastructure and energy sector-related undertakings include:

---upgrading the electricity network in Luanda;

---rehabilitation of Angola's three railway lines: Luanda-Malanje (completion in 2010); Namibe-Menongue (completion in 2011); and Benguela-DRC(completion in 2012);

---improvements of infrastructure in Luanda, including building a new international airport;

---numerous roads and highways outside of Luanda;

---social housing projects within Luanda;

---four football (soccer) stadiums (Luanda, Benguela, Lubango, and

Cabinda) that were used during the Africa Cup of Nations tournament in January 2010;

---joint oil exploration venture with Angolan parastatal Sonangol in Block 18; and

---a diamond mining venture with state diamond company Endiama.

1B. Examples of U.S.-China cooperation in Angola. Chinese contractors have successfully implemented DOD-funded humanitarian assistance projects, and a Chinese national is engaged by an implementing partner in our malaria program.

1C. Potential areas for U.S.-China cooperation. As reported Ref B, the Ambassador raised with the Chinese Ambassador in July 2008 the concept of a joint agricultural development project, and the Chinese Ambassador agreed to explore the possibilities. However, determined efforts by USAID technical staff failed to identify a project consistent with our development objectives to which the Chinese could contribute meaningfully. Given shifts in FY-2010 USAID funding, Post will undertake again to explore possibilities for cooperation with the Chinese in regard to either our expanding agriculture program or in our malaria and/or HIV/AIDS programs. Post experience has shown, however, that language can be a considerable barrier; for example, the current Chinese Ambassador speaks no Portuguese or English and only limited Spanish.

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12. (SBU) COMMENT: The Chinese presence looms large in Angola. Although exact numbers are elusive, a minimum of 50,000 Chinese are in the country; most other estimates are markedly higher. Few question that the Chinese have contributed importantly to Angola's ongoing national reconstruction. Nonetheless, some Angolans express concerns that Chinese engagement, financed by loans that Angola needs to repay, has failed to create jobs for Angolans, has failed to transfer technology to Angolans, and has often resulted in poor quality performance. Concerns have also been raised about the opaque nature of the Chinese funding, which is channeled through the Office of National Reconstruction of the Presidency.

END COMMENT.

MOZENA